

United States Environmental Protection Agency
Criminal Investigation Division

0202-0028
Case Number

Investigation Summary Report

Case Title:
AAR ENVIRONMENTAL SERVICES INC.

Reporting Office:
Syracuse NY RAC

Subject of Report:
Investigation Summary October 17, 1999 to December 17, 1999

Copies to:

Related Files:

0202-0023
0202-0027
0202-0029

Reporting Official and Date:

(b) (6), (b) (7)(C)

(b) (6), (b) (7)(C)

01/24/00

RAC

Approving Official and Date:

(b) (6), (b) (7)(C)

SAC

JA

1-27-00

SYNOPSIS

On October 26, 1999, Federal Search Warrants were executed at Analytical Laboratories of Albany, Inc. (ALA), 31 Railroad Avenue, Albany, New York, as well as, AAR Environmental Services Inc (AAR), 862 Albany Shaker Road, Latham, New York. The affidavits associated with these warrants are presently under seal. The investigation is continuing with the interviews of witnesses/suspects, as well as proffers being held at the U.S. Attorney's Office, Northern District of New York of several key individuals.

DETAILS

As noted in previous ISR's, the Syracuse Resident Agency had developed criminal information that ALA and its managers/employees had been routinely falsifying air monitoring reports over an extended period of time approximating five years. Additionally, information had been developed that (b) (6), (b) (7)(C) the President of AAR (an asbestos abatement Company) was the secret owner of this laboratory (ALA) and had utilized their services in furtherance of (b) (6), (b) (7)(C) own asbestos abatement projects. Accordingly, based upon this criminal intelligence federal search

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warrants were secured through the U.S. District Court on October 20, 1999.

On October 26, 1999, Federal Agents executed these warrants at the above referenced locations. The searches resulted in agents securing numerous boxes of evidence with (b) (6), (b) (7)(C) subpoenas being served at both locations. It should be noted that the evidence is presently stored at a secure U.S. Postal Facility located in Oneida, NY and that the review and indexing of these materials has already begun. An IAR is attached to this report detailing the ALA search warrant activities of 10/26/99. Additionally, a NYS-OIG case report details the referenced Search Warrant briefings and their execution on 10/26/99. It should further be noted that a third warrant was obtained and executed on 10/26/99 at the AAR location. This third warrant was obtained by IRS-CID and is also presently under seal. The IRS-CID search warrant relates to documents found at the AAR site concerning offshore tax havens as well as personal accounts believed to be located in the Cayman Islands.

On October 26, 1999, (b) (6), (b) (7)(C) ALA Lead Inspection Division, was interviewed by NYS-OIG investigators during the execution of the ALA search warrant. (b) (6), (b) (7) told NYS Investigators (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) rents from (b) (6), (b) (7)(C) of AAR and that there is no connection between AAR and ALA. (b) (6), (b) (7) also indicated that (b) (6), (b) (7)(C) is the owner of ALA and (b) (6) advised that (b) (6), (b) (7)(C) has not sat in on yearly performance appraisals.

On October 26, 1999, Interviews of (b) (6), (b) (7)(C) of AAR was conducted by Investigator (b) (6), (b) (7)(C) NYS-OIG and S/A (b) (6), (b) (7)(C) IRS-CID, during the execution of the federal search warrant at this location. (b) (6), (b) (7)(C) advised investigators that (b) (6), (b) (7)(C) had no knowledge of any illegal activities by AAR and was unaware of ownership of ALA by (b) (6), (b) (7)(C). Additionally, the referenced investigators also interviewed (b) (6), (b) (7)(C) of AAR. (b) (6), (b) (7)(C) advised investigators that (b) (6), (b) (7)(C) the owner of AAR is more concerned with the performing of asbestos projects correctly then (b) (6) is with making a profit.

On October 26, 1999, NYS-OIG Investigators identified

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and documented numerous AAR and ALA employees as they assisted in the execution of the federal search warrants at these locations. Reports reflecting these identifications are also attached to this report.

On October 26, 1999, (b) (6), (b) (7)(C) AAR Shop Supervisor was interviewed by NYS-CIG Investigator (b) (6), (b) (7)(C) during the execution of the referenced federal search warrants. (b) (6), (b) (7)(C) provided specific details relating to the dismantling of the three large boilers at the AAR warehouse on Railroad Avenue, Colonie, NY, which had been removed from Greenhaven Correctional Facility. (b) (6), (b) (7)(C) provided information as to how (b) (6) had provided torch tanks to the workers as they dismantled these boilers.

On October 26, 1999, (b) (6), (b) (7)(C) the former bookkeeper of ALA was interviewed by IRS-CID agents (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) provided investigators with numerous details concerning irregularities (b) (6), (b) (7)(C) had observed during (b) (6), (b) (7)(C) employment at ALA (1992-1999). (b) (6), (b) (7)(C) confirmed to investigators that (b) (6), (b) (7)(C) was aware that (b) (6), (b) (7)(C) was the silent owner of ALA and that it was illegal for an individual who owns an asbestos abatement company to also own/utilize a laboratory in day to day operations. Further, (b) (6), (b) (7)(C) told investigators that (b) (6), (b) (7)(C) had never personally seen lab results changed, but noted that (b) (6), (b) (7)(C) had had many discussions with lab employees of ALA who told (b) (6), (b) (7)(C) that they had been directed to change lab results for AAR jobs. It was reported that some of the lab results altered affected schools and hospitals. (b) (6), (b) (7)(C) named one of those lab employees as (b) (6), (b) (7)(C) and indicated that (b) (6), (b) (7)(C) had told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) Chief Executive Officer (CEO) at ALA, had directed (b) (6), (b) (7)(C) to change lab results. (b) (6), (b) (7)(C) speculated that (b) (6), (b) (7)(C) had been asked to manage ALA, as (b) (6), (b) (7)(C) needed somebody whom (b) (6), (b) (7)(C) could trust in this position, as well as someone that would not reveal (b) (6), (b) (7)(C) secret ownership of this company. An IRS-CID Memorandum of Interview is attached to this report detailing this interview.

On November 1, 1999, (b) (6), (b) (7)(C) provided additional information to IRS-CID Special Agent (b) (6), (b) (7)(C) via a telephone call. Some of the info provided by (b) (6), (b) (7)(C) detailed (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) jointly owning a boat together with the maintenance costs being

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paid from ALA funds. (b) (6), (b) (7) (C) also provide additional details relating to rent money and the manner it was paid to AAR from ALA accounts.

On November 2, 1999, (b) (6), (b) (7) (C) Representative, U.S. Department of Housing and Urban Development (HUD), Albany, New York, received an anonymous call in response to an Albany, NY, newspaper article relating to the recent federal search warrants at AAR and ALA. (b) (6), (b) (7) (C) was subsequently interviewed by S/A (b) (6), (b) (7) (C) HUD-OIG whereupon the following information relating to the call was relayed to investigators. As an overview, it was noted that documents relating to falsified lab results had been recently destroyed by AAR/ALA employees and that falsified asbestos training certificates had also been destroyed. This memorandum is attached to this ISR.

On November 29, 1999, S/A (b) (6), (b) (7) (C) and S/A (b) (6), (b) (7) (C) interviewed (b) (6), (b) (7) (C) a former ALA air monitoring technician at the Crossgates Mall, Albany, New York. (b) (6), (b) (7) (C) advised investigators that the worst AAR/ALA project (b) (6), (b) (7) (C) was aware of was that of the Ford Motor Plant at Green Island. It was explained that the asbestos abatement involved over 10,000 lf of friable asbestos pipe and that it had been removed dry. (b) (6), (b) (7) (C) noted that details relating to the improper removal would likely be available as Ford Motor Company officials caught AAR and ALA as these improper actions were ongoing and that the matter had been documented.

On November 30, 1999, S/A (b) (6), (b) (7) (C) and S/A (b) (6), (b) (7) (C) interviewed (b) (6), (b) (7) (C) at (b) (6), (b) (7) (C) place of employment, namely Albany Medical Center. (b) (6), (b) (7) (C) told investigators that (b) (6), (b) (7) (C) had worked at ALA from January 1993 to October 1998 and had worked in the lab reading samples. (b) (6), (b) (7) (C) advised the attending investigators that (b) (6), (b) (7) (C) personally observed (b) (6), (b) (7) (C) CEO at ALA, changing air monitoring results related to AAR projects. (b) (6), (b) (7) (C) stated that (b) (6), (b) (7) (C) was the owner of ALA and that (b) (6), (b) (7) (C) knew that (b) (6), (b) (7) (C) was changing these results. (b) (6), (b) (7) (C) stated that (b) (6), (b) (7) (C) understood that what (b) (6), (b) (7) (C) and (b) (6), (b) (7) (C) were doing was wrong and that (b) (6), (b) (7) (C) regularly told (b) (6), (b) (7) (C) that (b) (6), (b) (7) (C) needed to stop doing what (b) (6), (b) (7) (C) was doing. (b) (6), (b) (7) (C) recalled one specific

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conversation when (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) " Would you do this if your daughter were going to this school." (b) (6), (b) (7)(C) did not respond.

During the month of November 1999, proffers were held at the U.S Attorney's Office, NDNY, that involved the following:

- (1) (b) (6), (b) (7)(C) CEO, ALA
 - (2) (b) (6), (b) (7)(C) Lab Director, ALA
 - (3) (b) (6), (b) (7)(C) former Sales Manager, ALA.
- As an overview, these proffers have resulted in each individual admitting that the alteration and falsification of air monitoring samples has regularly occurred at ALA, as well as their involvement in certain aspects of these illegal activities. Accordingly, criminal plea agreements are presently being prepared for each of these individuals with appropriate legal documents being forwarded to their respective defense counsels for review/approval in the near future.

It should further be noted that a proffer with (b) (6), (b) (7)(C) President of ALA did not go forth after defense counsel opted that said meeting was not in the best interest of their client. Discussions between defense counsel(s) and AUSA Craig Benedict were unable to reach terms satisfactory to all parties. Accordingly, this proffer did not go forth.

This investigation is continuing.

SUBJECTS

(b) (6), (b) (7)(C) President of AAR.....CII 22196

AAR Environmental Services.....CII 22197

NHD, INC.....CII 22198

R.A. Bender, Inc.....CII 22199

Analytical Laboratories of Albany, Inc.....CII 22526

(b) (6), (b) (7)(C) President of ALA.....CII 23703

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SSN: (b) (6), (b) (7)(C) DOB: (b) (6), (b) (7)(C)
AKA: (b) (6), (b) (7)(C) SSN: (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) ALA Lab Director.....CII 23704

(b) (6), (b) (7)(C) Former ALA Sales.....CII 23705

DOB: (b) (6), (b) (7)(C)

Address: (b) (6), (b) (7)(C) Clifton Park, NY

(b) (6), (b) (7)(C) ALA, CEO.....CII 23706

DISPOSITION

None

ATTACHMENTS

#001.....IAR detailing execution of search warrant at ALA.

#002.....NYS-OIG report detailing search warrant/briefing
AAR.

#003.....NYS-OIG report detailing interview of (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)

#004.....NYS-OIG report of interviews, (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)

#005.....NYS-OIG report detailing ID of AAR & ALA
employees.

#006.....NYS-OIG report of interview of (b) (6), (b) (7)(C)

#007.....IRS-CID report of interview of (b) (6), (b) (7)(C)

#008.....IRS-CID report of telephone call with (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)

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#009.....HUD-OIG report of interview of (b) (6), (b) (7)(C).

#010.....IAR interview of (b) (6), (b) (7)(C).

#011^{JA}.....IAR interview of (b) (6), (b) (7)(C).012 IAR (b) (6), (b) (7)(C)
013 IAR (b) (6), (b) (7)(C)

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